

# Exhibit 3



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## Do Tire Tiers Exist, and Are They Competitive?

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Nov. 7, 2023



The debate over whether to levy tariffs on truck tires from Thailand may depend on the answers to these question: do tire tiers exist, and do they compete with one another?

In an initial hearing on whether tariffs should be levied against truck tires from

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On Nov. 7 parties representing both sides of the tariff issue met with International Trade Commission (ITC) staff in a hearing. This hearing functions largely as a question-and-answer session. The ITC commissioners aren't present, and there's no vote taken or decision made. The hearing serves more as a fact-finding mission, and as a springboard for both sides to provide additional documentation and data for the commission to consider later.

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In this case, the side favoring tariffs was represented by the United Steelworkers and their attorneys. The USW filed the **initial petition** asking the government to impose tariffs on TBR tires from Thailand.

Those opposed to tariffs were represented by Prinx Chengshan Tire North America, a tiremaker that builds its truck and bus tires in Thailand to serve the U.S. market.

Prinx is actually one of three tiremakers the USW cited in its petition, noting that the Chinese company had opened its Thailand factory in 2020 — after the U.S. government started imposing tariffs on TBR tires made in China. (Double Coin opened a plant in 2017, and Jiangsu General Science Technology Co. Ltd. opened a Thailand factory in

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tires imported had more than doubled since 2020. She said the value of those imported tires had reached almost \$1.8 billion.

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Five USW presidents — each one representing a union-represented TBR plant in the U.S. — took the stand to paint a picture of current production levels in their factories. Additionally, Kevin Johnsen, chair of the rubber and plastics industry conference within the USW, testified. He thanked the commission for its affirmative vote to impose tariffs on TBR tires from China in 2019 and said those orders “have had important benefits for our members.” He said imports from China peaked at 9.2 million tires in 2018, but had fallen to 1.8 million tires in 2022. In the first half of 2023 he said they had dropped by almost 30%.

At the same time, Johnsen said Thailand’s share of the U.S. truck and bus tire market increased from 20% in 2020 to more than 30% in 2022 — while the domestic industry’s market share fell from 45% to 28% in 2022. “We believe domestic market share has remained depressed in 2023.”

## Snapshots of five tire plants

The five men who serve as president of their local unions at specific tire factories provided a snapshot of the current state of tire production — and inventory — in their specific facilities.

Drew Rodriguez is president of the union at the **Bridgestone Americas Inc. tire plant in Morrison, Tenn.** He started as a tire builder nearly 25 years ago. The Morrison plant produces only TBR tires, and its 900 workers make tires under both the Bridgestone and Firestone brands.

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2023 the number is down to 9,040 tires daily.

“Even with these lower production levels, we still have huge amounts of inventory — more than our warehouse can handle. Our warehouse is full of truck and bus tires. In addition, we have 150 to 175 trailers trailers on our plant’s property that are completely full of tires.

“These are tires that Bridgestone should be able to sell in the market, but cannot due to unfair competition from dumped tires from Thailand.”

He said the plant usually has 10 production-free days on the annual calendar — five in July and five more around the winter holidays. In 2023, the plant is doubling that to 20 total days.

Rodriguez is also concerned about imports’ affects on plans to expand the plant. He said in May 2022 management presented plans to more than double capacity “with a major expansion.” But follow through has been slowed, even though construction does continue.

Thomas O’Shei is the leader of the union at the **Sumitomo Rubber USA LLC factory near Buffalo, N.Y.** He’s worked in both truck and consumer tire production at the plant since he joined the workforce in 1990. He says all of the medium truck tires produced at the site are Falken-branded and sold into the replacement market.

O’Shei said the plant benefitted from the tariffs on truck tires from China, and was “operating at very high capacity utilization levels as Chinese tires existed the market” in 2020 and 2021. But he said imports from Thailand in 2022 exceeded the numbers ever recorded from China.

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He said production this year has dropped to 1,300 truck tires a day, and the company has “about 150,000 tires sitting in Sumitomo warehouses.”

He said the plant hasn’t had any layoffs yet, but that’s because management was able to shift TBR production workers to PLT or motorcycle tire production lines.

“But this won’t be a sustainable strategy for long. Our plant depends on healthy truck and bus tire production to absorb the overhead and keep our facility financially viable. Without truck and bus tire production, our entire plant is at risk.”

Jerron “Pete” Morton, president of the union at **Goodyear Tire & Rubber Co.’s factory in Danville, Va.**, has been an employee of the plant for more than 25 years. Most of the plant’s production is tied to TBR tires — for both original equipment and replacement — though it does also manufacture some aircraft tires.

He too has seen production decrease, with 3,675 TBR tires produced daily now compared to 5,500 tires a year ago. “The huge wave of dumped imports from Thailand is preventing us from operating anywhere near full capacity.”

He said in November 2022 Goodyear laid off 28 workers at the plant, “despite the fact that demand for truck and bus tires in the United States was at high levels.” He said imports prevented the factory from fully capturing the increase in demand in the market.

Morton said Goodyear has been eliminating overtime and in July adjusted the employees’ traditional 42-hour workweek to 40 hours. “If we are not able to get relief from imports, I am not sure how much longer our plant can keep operating at such reduced levels without threatening our members’ jobs.” He said current projections are

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Jody Juarez is union president at another **Goodyear plant, this one in Topeka, Kan.** Juarez has worked there 35 years. The plant makes TRB as well as light truck tires and off-the-road earthmover tires, though “the majority” of production is truck tires.

He said medium truck tire production has fallen from more than 5,000 tires in 2020 to about 3,500 tires in 2023. He noted some of the decline is due to longer cure time for heavier tires, but rising inventories are another cause.

Jon Wright, president of the union at **Bridgestone’s factory in LaVergne, Tenn.**, represents 770 workers and has worked at the plant for 28 years. The factory only produces TBR tires — for both the OE and replacement markets.

Wright said the plant has produced as many as 6,000 tires a day, but is currently targeting production of around 4,000 tires daily — “two-thirds of our potential production level.

“This sharp decline has nothing to do with overall demand or a slump in the economy like the recession we saw back in 2009. Demand for truck and bus tires is not the problem — it is the flood of imports from Thailand that has hurt our plant.”

He said the plant has taken 55 days out of its production schedule in 2023. And even though the plant hasn’t had layoffs, he said the plant’s workforce is smaller. At the end of 2019 there were 820 union members, and there are now 770.

Wright said two tire production lines, including 16 tire machines total, have been shut down — including machines that typically build 22.5 and 24.5 tire sizes, which he called “high volume, popular tire sizes,” and sizes that are also made by companies in Thailand.

The LaVergne factory also has excess inventory stored in trailers. He said the plant’s

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Samuel Felberbaum, president of Prinx Chengshan Tire North America, and Ken Coltrane, the company's vice president of marketing and product development, took on the role of tariff opposition and Thailand market representatives, alongside their tiremaker's lawyers.

And as part of their arguments, the Prinx team said there's not direct competition between domestic tiremakers and those importing product from Thailand.

Attorney Lynn Fischer Fox said union representatives want the commission to ignore market conditions and the conditions of competition, as well as the financial conditions of domestic tiremakers. She noted these tiremakers with U.S. operations performed well throughout the period under review: 2020 to 2022.

And as Felberbaum pointed out, domestic tiremakers and tiremakers in Thailand aren't always competing for the same business. The U.S. tire producers compete for OE fitments, though not every plant produces tires for the OE market. Still, Felberbaum said Prinx doesn't sell in the OE market, and he doesn't believe any of his Thai counterparts do either.

Additionally, Felberbaum says Prinx and other Thailand-based tire manufacturers aren't selling to large fleets, and they aren't capturing government contracts. He estimates the fleet and government businesses "make up roughly 80% of premium brands' sales."

Instead, he said Prinx sells its tires to independent tire dealers. Those dealers stock tires and sell to the ultimate customer, which is largely the independent truck driver. The tire dealer orders tires by the container load and they're built on demand and shipped to the dealer. Prinx doesn't maintain its own warehouses in the U.S. to store inventory.

The USW alleges tires made in Thailand are being dumped in the U.S. market at below-



“more extensive package” of services around a tire. “These are comprehensive contracts that cover the price of the tire and the associated services.”

Typically, these fleet and government contracts are serviced by premium tire brands, those in tiers one and two. Felberbaum says his company’s products aren’t competing with those tires, and his company isn’t offering services to fleets or governments like tires in the upper tiers.

Tire tiers are often a point of contention in these tariff investigations, and again in this hearing, there were many questions related to the tiers. Felberbaum used the industry standard language of describing good, better and best tire options, and even took a stab at defining some brands in the top two tiers, or those in the better and best categories.

“In the most simple and high-level terms, we think of the tiers as branded versus unbranded,” Felberbaum said.

He ranked Bridgestone, Goodyear and Michelin in the top tier, or best category. His tier two included Continental, BFGoodrich, Yokohama and Sumitomo.

“Prinx and other Thai importers are generally considered tier three or tier four, or ‘good.’ We do not compete with the premium brands in tier(s) one and two.”

He said there are “perceivable differences” between tiers, including price. And he said there’s generally a lack of competition between tiers. Gina Colarusso, an attorney working on behalf of Prinx said any comparison in price between domestic producers and tiremakers like Prinx is “effectively meaningless.”

Throughout the four-plus hours of testimony and questions, the topic of tiers and how to define them remained at the forefront, with Drake, the attorney for the USW, saying she doesn’t believe in tiers since there doesn’t appear to be a clear definition for them.

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Bridgestone has Firestone and in her example, Michelin has Uniroyal. “They’re branding it differently. If tiers didn’t exist, why would they do that?”



About the Author  
**Joy Kopcha | Managing Editor**

After more than a dozen years working as a newspaper reporter in Kansas, Indiana, and Pennsylvania, Joy Kopcha joined *Modern Tire* as covered murder trials, a pr commission, and school board r.

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